

**STATE OF MONTANA
LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL**

**FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 1997**

PERFORMED UNDER CONTRACT BY:

**JAMES J. WOSEPKA, PC
CERTIFIED PUBLIC ACCOUNTANTS**

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

September 1997

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Legislative Branch for the two fiscal years ended June 30, 1997.

The audit was conducted by James J. Wosepka, Certified Public Accountant, under a contract between the firm and our office. The comments contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

Written response to the report is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat
Legislative Auditor

97C-04

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INTRODUCTION

We performed a financial-compliance audit of the Legislative Branch, excluding the Consumer Counsel, for the two fiscal years ended June 30, 1997. The objectives of the audit were to: (1) determine if the financial schedules present fairly the Legislative Branch's results of operations in accordance with the State's accounting policies for the two fiscal years ended June 30, 1997; (2) determine if the Legislative Branch complied with applicable laws and regulations; and (3) make recommendations for improvement in the management and internal controls of the Legislative Branch.

We thank the staff of the Legislative Branch for their cooperation and assistance during our audit.

MISSION AND GENERAL DESCRIPTION OF THE AGENCY:

The mission of the Legislative Branch is to provide a consolidated administrative structure to support accomplishment of the mission of the Legislature. The mission of the Legislature is to exercise the legislative power of state government vested in the Legislature by the Constitution of the State of Montana.

The Legislative Branch consist of entities consolidated with the Legislative Council as provided in 5-2-503, MCA. The principal agents of the consolidated branch are the Senate and the House of Representatives (which together comprise the Legislature), the Legislative Services Division, the Legislative Audit Division, and the Legislative Fiscal Division.

The Senate consists of 50 members representing single-member districts comprised of two representative districts. Senators are elected for four-year terms with half the members elected every two years. The Senate serves as an equal partner with the House of Representatives in the consideration of most matters related to the exercise of the legislative power of the state. The unique functions of the Senate include confirmation of gubernatorial appointments and the conduct of trials of impeachment.

The House of Representatives consists of 100 members representing single-member districts. Representatives are elected to two-year terms. The House of Representatives serves as an equal partner with the Senate in the consideration of most matters related to the exercise of the legislative power of the state. The unique functions of the House of Representatives include the introduction of appropriations measures into the process and the bringing of impeachment.

INTRODUCTIONS-continued

The mission of the Legislative Services Division is to provide research, reference, legal, technical, information technology, and administrative support services to the House, Senate, and other divisions of the Legislative Branch in support of effective and efficient operation of the Legislative Branch.

The Legislative Services Division was established in 1957 as the Legislative Council. The name was changed in 1995 as a part of a consolidation of most of the separate agencies of the Legislative Branch. Principal statutory authority is found in Title 1, chapter 11, and Title 5, chapters 5 and 11, MCA.

The mission of the Legislative Audit Division is to provide factual and objective information to the legislative and executive managers of the public trust.

The Legislative Audit Division provides the post audit function for state government.

The Legislative Audit Division was established in 1967 as the Office of the Legislative Auditor. The function became constitutionally required with the adoption of the 1972 Constitution. Principal statutory authority is found in the Legislative Audit Act (Title 5, Chapter 13, MCA).

The mission of the Legislative Fiscal Division is to provide the legislature with objective fiscal information and analysis relevant to Montana public policy and budget determination.

The Legislative Fiscal Division was established in 1974 as the Office of the Legislative Fiscal Analyst. The name was changed in 1995 as part of a consolidation of most of the separate agencies of the Legislative Branch. Principal statutory authority is found in the Legislative Finance Act (Title 5, Chapter 12, MC).

INTERNAL CONTROL

We have examined the financial schedules of the Legislative Branch, excluding the Consumer Counsel, for the two fiscal years ended June 30, 1997. We issued our opinion dated August 14, 1997 on these schedules. As part of our examination, we made a study and evaluation of the Branch's control system. Our study evaluated the system as required by government auditing standards for financial compliance audits. We classified the controls in the following categories:

1. Expenditures/liabilities;
2. Property, plant, and equipment;
3. Payroll; and
4. Revenue/receivables.

Our study included the control categories listed above. We applied alternative audit tests to property, plant, and equipment as we determined it was more efficient to expand substantive testing for this area. Through our study, we determined the nature, timing, and extent of our auditing procedures. We did not evaluate the control system to the extent necessary to give an opinion on either individual segments or system as a whole.

The management of the Legislative Branch is responsible for establishing and maintaining a system of accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related cost of control procedures. The objectives of a system are to provide management with reasonable assurance that: (1) assets are safeguarded against loss from unauthorized use or disposition; (2) transactions are executed in accordance with management's authorization; and (3) transactions are recorded properly to permit the preparation of financial schedules in accordance with state accounting policies. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system evaluation should not be used to project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose of our study described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of controls used by the Legislative Branch.

A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended solely for the use of management and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of the document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

PRIOR AUDIT RECOMMENDATIONS

The Legislative Branch was last audited for the fiscal year ending June 30, 1994 and 1995, under contract through the Legislative Auditor. That audit was of six separate agencies. Three of those agencies had the following recommendation:

We recommend staff be instructed on how the input and deletion forms are to be completed, and that the PAMS be updated on a timely basis.

CURRENT AUDIT RECOMMENDATION

None

STATE COMPLIANCE

We reviewed compliance with state laws that could have a material impact on the financial schedules of the Legislative Branch. In our opinion, the Legislative Branch complied with the state laws and regulations tested. Nothing came to our attention that caused us to believe untested compliance issues were not in accordance with applicable laws and regulations.

**INDEPENDENT AUDITORS' REPORT
AND SCHEDULES OF AGENCY FINANCIAL ACTIVITY**

JAMES J. WOSEPKA, PC
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INDEPENDENT AUDITORS' REPORT

The Legislative Audit Committee
Of the Montana State Legislature:

We have audited the financial schedules of the Legislative Branch, excluding the Consumer Counsel, for each of the two fiscal years ended June 30, 1996 and 1997, as listed in the table of contents. These financial schedules are the responsibility of the Branch's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial schedules, the Legislative Branch was previously seven separate agencies, six of these agencies have been reorganized into one agency within the Branch. The Fund Balances, of this new single agency as of July 1, 1995, are a total of these separate agency fund balances. We concur with the totaling of the fund balances.

As described in Note 1 to the financial schedules, the Legislative Branch's financial schedules are prepared in accordance with state accounting policy and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the financial schedules referred to in paragraph one present fairly, in all material respects, the results of operations and changes in fund balances of the Legislative Branch, excluding the Consumer Counsel, for each of the two fiscal years ended June 30, 1996 and 1997, in conformity with the basis of accounting described in Note 1.

JAMES J. WOSEPKA, PC

By *James J. Wosepka*
CPA

Baker, Montana
August 14, 1997

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Pension Trust Fund</u>
FUND BALANCES: July 1, 1995	<u>(\$289,317)</u>	<u>\$289,786</u>	<u>\$0</u>
ADDITIONS			
Budgeted Revenues & Transfers-In	9,893	2,850,910	
Nonbudgeted Revenues & Transfers-In	5,362	65,136	
Prior Year Revenues & Transfers-In Adjustments		3,965	
Support from the State of Montana	4,455,069	13,523	\$3,098
Direct Entries to Fund Balance	<u>(7,167)</u>	<u>50,603</u>	
Total Additions	<u>4,463,157</u>	<u>2,984,137</u>	<u>3,098</u>
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	5,040,931	2,057,788	3,720
Prior Year Expenditures & Transfers-Out Adjustments	<u>(\$7,189)</u>	<u>3,271</u>	
Total Reductions	<u>5,033,742</u>	<u>2,061,059</u>	<u>3,720</u>
FUND BALANCE: June 30, 1996	<u>(\$859,902)</u>	<u>\$1,212,864</u>	<u>(\$622)</u>

This schedule is prepared from transactions recorded on the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 13-14.

LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNCIL
SCHEDULE OF TOTAL REVENUES, TRANSFERS IN,
OTHER ADDITIONS BY FUND BY CLASS
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	General Fund	Special Revenue Funds	Total
TOTAL REVENUES BY CLASS			
Charge for Services		\$1,526,380	\$1,526,380
Sale of Documents and Merchandise	\$9,893	\$1,369,278	\$1,379,171
Miscellaneous	\$5,362		\$5,362
Grants, Contracts, & Donations		\$24,353	\$24,353
Total Revenues	\$15,255	\$2,920,011	\$2,935,266
Less: Nonbudgeted Revenues	\$5,362	\$65,136	\$70,498
Prior-Year Revenue Adjustments		\$3,965	\$3,965
Actual Budgeted Revenues	\$9,893	\$2,850,910	\$2,860,803
Estimated Revenues	\$5,000	\$2,481,507	\$2,486,507
Budgeted Revenues Over (Under) Estimated	\$4,893	\$369,403	\$374,296
BUDGETED REVENUES OVER (UNDER) ESTIMATED BY CLASS			
Charges for Services		\$109,736	\$109,736
Sale of Documents & Merchandise	\$4,893	\$269,667	\$274,560
Grants, Contracts & Donations		(\$10,000)	(\$10,000)
Budgeted Revenues Over (Under) Estimated	\$4,893	\$369,403	\$374,296

This schedule is prepared from transactions recorded in the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on pages 13-14.

LEGISLATIVE BRANCH - EXCLUDING THE CONSUMER COUNSEL
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

PROGRAM EXPEND./ TRANSFERS-OUT BY OBJECT												
	LEGIS. LEGISLATIVE SERVICES	LEGIS. COMMITTEES & ACTIVITIES	SERVICES FEED BILL	ENVIRON. ANALYSIS	WATER POLICY	LEGISLATURE SENATE	LEGISLATURE HOUSE	FISCAL ANALYSIS & REVIEW	AUDIT & EXAMINATION	TOTAL		
Personal Services												
Salaries	\$1,285,513	\$21,911		\$172,806	\$2,910	\$1,167	\$8,860	\$580,971	\$1,819,133	\$3,893,271		
Hourly Wages	2,329			300		200	200	800	412,870	1,100		
Other Compen.												
Employ. Benefits	306,424	2,185		41,173	252	14,770	17,766	127,801	923,241			
Total	1,594,266	24,096	0	214,279	3,162	16,137	26,826	709,572	2,232,003	4,820,341		
Operating Expenses												
Other Services	924,232	3,737	84,325	11,177	(385)	477	362	20,571	85,266	1,128,927		
Supply/Materials	56,180	3,539	36	3,381	170	250	593	12,824	15,124	92,153		
Communications	90,251	2,805	14,771	6,240	746	8,082	6,341	9,645	19,148	144,449		
Travel	18,015	54,190		9,965	5,592			18,843	59,356	180,384		
Rent	40,364	475		5,546		(640)		13,548	35,660	95,593		
Repair/Maint.	51,492			406			191	1,245	3,013	55,516		
Other Expenses	65,099	50,101	2,432	3,396		1,640		4,793	19,143	146,795		
Total	1,245,633	114,907	101,564	40,111	6,123	9,809	7,491	81,469	236,710	1,843,817		
Equipment & Intangible Assets												
Equipment	393,594			464				1,881	7,970	403,909		
Intang. Assets	27,840								2,614	30,454		
Total	421,434			464				1,881	10,584	434,363		
Total Program Expenditures/ Transfers-Out	\$3,261,333	\$139,003	\$101,564	\$254,854	\$9,285	\$25,946	\$34,317	\$792,922	\$2,479,297	\$7,098,521		

LEGISLATIVE BRANCH - EXCLUDING THE CONSUMER COUNSEL
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	LEGIS.		LEGIS.		WATER	LEGISLATURE		FISCAL		TOTAL
	LEGISLATIVE SERVICES	COMMITTEES & ACTIVITIES	SERVICES FEED BILL	ENVIRON. ANALYSIS		SENATE	HOUSE	ANALYSIS & REVIEW	AUDIT & EXAMINATION	
PROGRAM EXPEND./ TRANSFERS-OUT										
BY FUND										
General Fund	\$2,289,347	\$108,940	\$101,564	\$254,854		\$25,946	\$34,317	\$792,922	\$1,425,852	\$5,033,742
Spec. Rev. Fund	971,986	26,343			9,285				1,053,445	2,061,059
Pension Tst Fund		3,720								3,720
total Prog. Expend. & Transfers-Out	3,261,333	139,003	101,564	254,854	9,285	25,946	34,317	792,922	2,479,297	7,098,521
ess: Nonbudgeted Expenditures & Transfers-Out	1,252			(2,596)	(1,000)	(640)		(763)	(171)	(3,918)
Prior Year										
Expenditures & Transfers-Out	3,260,081	139,003	101,564	257,450	10,285	26,586	34,317	793,685	2,479,468	7,102,439
Budget Authority	3,356,354	247,694	218,223	287,768	28,083	432,016	728,661	858,761	2,750,632	8,908,192
Inspent Budget Authority	\$96,273	\$108,691	\$116,659	\$30,318	\$17,798	\$405,430	\$694,344	\$65,076	\$271,164	\$1,805,753
INSPEM BUDGET AUTHORITY BY FUND										
General Fund	\$96,273	\$80,601	\$116,659	\$30,318		\$405,430	\$694,344	\$65,076	\$35,797	\$1,524,498
Spec. Rev. Fund		18,010			17,798				235,367	271,175
Pension Tst Fund		10,080								10,080
Inspent Budget Authority	\$96,273	\$108,691	\$116,659	\$30,318	\$17,798	\$405,430	\$694,344	\$65,076	\$271,164	\$1,805,753

This schedule is prepared from transactions recorded on the Statewide Budgeting and Accounting System.
Additional information is provided in the notes to the financial schedules on pages 13-14.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1997**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Pension Trust Fund</u>
FUND BALANCES: July 1, 1996	<u>(\$859,903)</u>	<u>\$1,212,864</u>	<u>(\$622)</u>
ADDITIONS			
Budgeted Revenues & Transfers-In	63,196	1,219,898	
Nonbudgeted Revenues & Transfers-In	8,133	66,167	
Prior Year Revenues & Transfers-In Adjustments		(700)	
Support from the State of Montana	8,844,881	15,057	\$10,382
Direct Entries to Fund Balance		(23,671)	
Total Additions	<u>\$8,916,210</u>	<u>\$1,276,751</u>	<u>\$10,382</u>
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	8,584,932	2,101,738	9,760
Prior Year Expenditures & Transfers-Out Adjustments	(\$176,783)	74,998	
Total Reductions	<u>\$8,408,149</u>	<u>\$2,176,736</u>	<u>\$9,760</u>
FUND BALANCE: June 30, 1997	<u>(\$351,842)</u>	<u>\$312,879</u>	<u>\$0</u>

This schedule is prepared from transactions recorded on the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 13-14.

LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNCIL
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN,
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	General Fund	Special Revenue Funds	Total
TOTAL REVENUES BY CLASS			
Charge for Services		\$1,193,933	\$1,193,933
Sale of Documents, Merchandise & Property	\$63,196	\$81,988	\$145,184
Miscellaneous	\$8,133		\$8,133
Grants, Contracts, Donations & Abandonments			
Federal		\$9,444	\$9,444
Total Revenues & Transfers-In	<u>\$71,329</u>	<u>\$1,285,365</u>	<u>\$1,356,694</u>
Less: Nonbudgeted Revenues & Transfers-In	\$8,133	\$66,167	\$74,300
Prior-Year Revenues & Transfers-In Adjustments		(\$700)	(\$700)
Actual Budgeted Revenues & Transfers-In	<u>\$63,196</u>	<u>\$1,219,898</u>	<u>\$1,283,094</u>
Estimated Revenues & Transfers-In	<u>\$50,000</u>	<u>\$1,387,951</u>	<u>\$1,437,951</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$13,196</u>	<u>(\$168,053)</u>	<u>(\$154,857)</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Charges for Services		(\$223,634)	(\$223,634)
Sale of Documents, Donations & Property	\$13,196	\$65,581	\$78,777
Miscellaneous			
Grants, Contracts, Donations & Abandonments		(\$10,000)	(\$10,000)
Federal			
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$13,196</u>	<u>(\$168,053)</u>	<u>(\$154,857)</u>

This schedule is prepared from transactions recorded in the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on pages 13-14.

LEGISLATIVE BRANCH - EXCLUDING THE CONSUMER COUNSEL
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

GRAM EXPEND./ TRANSFERS-OUT BY OBJECT	LEGISLATIVE SERVICES	LEGIS. COMMITTEES & ACTIVITIES	SERVICES FEED BILL	ENVIRON. ANALYSIS	WATER POLICY	LEGISLATURE SENATE	LEGISLATURE HOUSE	FISCAL			TOTAL
								ANALYSIS & REVIEW	EXAMINATION	AUDIT &	
Personal Services											
Salaries	\$1,529,704	\$9,905	\$77,737	\$178,510	\$3,481	\$646,804	\$883,182	\$630,425	\$1,911,734	\$5,871,482	
Hourly Wages	2,899					12	4			2,915	
Other Compens.						371,010	738,180			1,109,190	
Employ. Benefits	354,871	1,017	10,165	41,581	309	282,338	528,835	139,269	425,538	1,783,923	
Total	1,887,474	10,922	87,902	220,091	3,790	1,300,164	2,150,201	769,694	2,337,272	8,767,510	
Operating Expenses											
Other Services	329,026	11,674	246,351	19,721	11,882	19,450	46,568	36,898	100,908	822,478	
Supply/Materials	59,763	385	18,438	3,693		20,555	20,372	2,540	20,695	146,441	
Communications	39,090	2,857	71,389	6,198	584	5,028	5,724	7,359	17,660	155,889	
Travel	10,011	25,287		3,258	6,014	28,653	56,101	8,486	54,469	192,279	
Rent	40,394	175	200	5,676		30		13,944	32,386	92,805	
Repair/Maint.	19,921			404		7,941	5,156	1,240	2,380	37,042	
Other Expenses	40,202	10,735	69	4,145	42	848	962	25	19,995	77,023	
Total	538,407	51,113	336,447	43,095	18,522	82,505	134,883	70,492	248,493	1,523,957	
Equipment											
Intangible Assets											
Equipment	261,093		600			1,400	1,835			264,928	
Intang. Assets	38,250									38,250	
Total	299,343		600			1,400	1,835			303,178	
Capital Program											
Expenditures/Transfers-Out	\$2,725,224	\$62,035	\$424,949	\$263,186	\$22,312	\$1,384,069	\$2,286,919	\$840,186	\$2,585,765	\$10,594,645	

LEGISLATIVE BRANCH - EXCLUDING THE CONSUMER COUNSEL
 SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT, CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	LEGIS.		LEGIS.		FISCAL		TOTAL
	LEGISLATIVE SERVICES	COMMITTEES ACTIVITIES	SERVICES FEED BILL	ENVIRON. ANALYSIS POLICY	WATER LEGISLATURE SENATE	LEGISLATURE HOUSE REVIEW EXAMINATION	
GRAM EXPEND./							
TRANSFERS-OUT							
BY FUND							
General Fund	\$2,241,145	\$48,838	\$424,949	\$263,186		\$2,286,919	\$8,408,149
Spec. Rev. Fund	484,079	3,437					2,176,736
Pension Tst Fund		9,760		22,312			9,760
tal Prog. Expend.							
& Transfers-Out	2,725,224	62,035	424,949	263,186	22,312	1,384,069	2,585,765
ss: Nonbudgeted							10,594,645
Expenditures &							
Transfers-Out							
Prior Year							
Expenditures &							
Trans-Out Adjust.	(100,533)			9		(1,258)	(3)
Actual Budgeted							(101,785)
Expenditures &							
Transfers-Out	2,825,757	62,035	42,449	263,177	22,312	1,384,069	2,585,768
Budget Authority	3,418,999	108,691	751,498	297,999	27,242	2,028,114	3,096,558
spent Budget							
Authority	\$593,242	\$46,656	\$709,049	\$34,822	\$4,930	\$644,045	\$510,790
ISPEIT BUDGET							\$3,676,709
UTHORITY BY FUND							
General Fund	\$593,242	\$31,762	\$326,549	\$34,822		\$644,045	\$1,079,062
Spec. Rev. Fund		14,574					\$54,113
Pension Tst Fund		320			4,930		\$498,436
spent Budget							12,354
Authority	\$593,242	\$46,656	\$326,549	\$34,822	\$4,930	\$644,045	\$510,790
							\$3,294,209

This schedule is prepared from transactions recorded on the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 13-14.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO THE FINANCIAL SCHEDULES
JUNE 30, 1996 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Legislative Branch uses the modified accrual basis of accounting, as defined by state accounting policy, for its Funds. In applying the modified accrual basis, the Legislative Branch records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the Legislative Branch to record the cost of employees' annual leave and sick leave when used or paid.

The Legislative Branch uses accrual basis accounting for the Pension Trust Fund. Under the accrual basis, as defined by state accounting policy, the Legislative Branch records revenues in the accounting period earned when measurable and records expenses in the period incurred, when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the Legislative Branch receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the Statewide Budgeting and Accounting System without adjustment.

Accounts are organized in funds according to state law. The Legislative Branch uses the following funds:

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes.

Fiduciary Funds

Trust and Agency Funds - to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. The Legislative Branch fiduciary fund is a Pension Trust Fund.

2. BRANCH REORGANIZATION

As of July 1, 1995, six agencies; the Senate, the House of Representatives, the Legislative Council, the Legislative Fiscal Analyst, the Environmental Quality Council and the Office of the Legislative Auditor; were combined to form the Legislative Branch, excluding the Consumer Counsel, as provided in 5-2-503, MCA. Consumer Counsel is an independent agency within the Legislative Branch. The Special Revenue fund balances of three of the agencies were totaled to present the Special Revenue beginning Fund Balance of the Legislative Branch as follows:

Office of Legislative Auditor	\$127,053
Legislative Council	164,315
Environmental Quality Council	(1,582)
	<u>\$289,786</u>

3. GENERAL FUND BALANCE

The General Fund is a statewide fund. Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. The beginning and ending fund balances reported on the accompanying Schedules of Changes in Fund Balances reflect the Legislative Branch's, excluding the Consumer Counsel, share of the statewide General Fund balance for each of the two years ended June 30, 1997.

AGENCY RESPONSE

Council Senate Members
B.F. "CHRIS" CHRISTIAENS
VICE-CHAIRMAN
GARY AKLESTAD
AL BISHOP
DEBBIE BOWMAN SHEA
BRUCE D. CRIPPEN
MIKE HALLIGAN



Council House Members
LARRY HAL GRINDE
CHAIRMAN
VICKI COCCHIARELLA
WILLIAM "RED" MENAHAN
JOHN A. MERCER
RAY PECK
PAUL SLITER

Executive Director
ROBERT B. PERSON

**Montana Legislative
Services Division
Office of the Executive Director**
Room 138 • State Capitol
Helena, Montana 59620-1706
(406) 444-3064
FAX (406) 444-3036

October 31, 1997

Mr. James J. Wosepka, CPA
P.O. Box 970
Beach ND 58621-0970

RE: Legislative Branch Audit Response

Dear Mr. Wosepka:

Scott Seacat, Clayton Schenck, and I have reviewed the draft audit report for the Montana Legislative Branch submitted with your request for a response. We were pleased with your finding that the branch had successfully responded to your previous recommendations and that there are no current recommendations.

It takes the dedication and cooperation of a number of people to make a good audit report possible. Particular credit goes to Karen Berger, our Legislative Branch Fiscal Manager, and the staff she has assembled, whose day-to-day attention to the details and dedication to accounting propriety have been indispensable. It is worth noting that the accounting work required during the reorganization offered a special challenge and having met that challenge successfully is a particular credit to Karen and her staff.

We appreciated once again working with you and valued your professionalism and insights.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert B. Person".

Robert B. Person
Executive Director

cc: Clayton Schenck, Legislative Fiscal Analyst
Scott Seacat, Legislative Auditor

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